



DEMOCRATIC POLICY COMMITTEE **FACT SHEET**

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FS-35-Agriculture

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Democratic Agenda for Restoration of an Economic Safety Net for Producers

Over the past two years, family farmers and ranchers have experienced rapid and severe declines in crop and live-stock prices. They are a result of economic and weather-related events over which U.S. producers have had no control, and could not have anticipated. These market conditions are disproportionately affecting smaller operations that make up the majority of farms and ranches across the country. Consequently, they are threatening the economic stability of rural communities in many States.

***Freedom to Farm* has failed to provide farmers a safety net when market conditions are inadequate to sustain farm income.** When the *Freedom to Farm Act* was enacted in 1996, Democrats stressed that without an economic safety net, the policy left producers vulnerable to poor market conditions. As predicted, the last year and a half of devastatingly low prices (prices started their uninterrupted downward trend in the spring of 1997, reaching record low levels several months later) and continuing record-level production are decimating the smaller, independently operated farms and ranches that are so integral to the economic and social stability of rural America.

In order to ensure that family farmers and ranchers remain a part of this country's landscape, fundamental changes are required to *Freedom to Farm*. It is time for a new farm bill. Producers simply cannot wait until re-authorization in 2002 for Congress to act. Congress must act now to address the impact of plummeting farm incomes and the ripple effect it is having throughout rural communities and their economic base.

Democratic Policy Committee
United States Senate
Washington, D.C. 20510-7050

Tom Daschle, Chairman
Ron Dorgan, Co-Chairman

Farmers are not going to survive if the only help they get from Washington are inadequate, unreliable, long-delayed emergency aid bills. They need policies that equip them to withstand the low prices and weather disasters that are fueling the current farm crisis, so their livelihood is not dependent on the whims of a Republican majority in Congress. Democrats recommend redirecting the course of farm policy immediately, to achieve the following priorities:

- 1. A Better Marketing Loan Rate.** Under *Freedom to Farm*, the current marketing assistance loans are capped at artificial levels so low that they fail to offer meaningful income support. The loan rates have left producers vulnerable to the severe economic and weather-related events of the past two years, resulting in devastating income losses. Producers need a targeted, counter-cyclical marketing loan rate that provides a meaningful level of income support at times when the market price falls below the loan rate, and a loan rate with a “cup” rather than a “cap,” so it doesn’t merely track prices when they fall precipitously. This would have the effect of providing relief to producers who need it and increasing income stability over the long-term.
- 2. A Conservation Security Program.** The *Conservation Security Act of 1999* would establish a voluntary program of incentive payments for farm conservation practices. This would provide additional farm income for producers in exchange for implementing conservation practices complementary to crop production. The program promotes conservation of soil, water, and related resources; water quality protection and improvement; air quality protection and improvement; wetland restoration, protection, and creation; and wildlife habitat development and protection. Under this program, farmers and ranchers would enter into conservation security contracts with USDA. Farmers and ranchers would receive progressively higher incentive payments (ranging from a 10 percent rental rate payment to a 40 percent rental rate payment) depending upon the extent of conservation practices implemented.

3. Additional Leverage in Agricultural Trade Negotiations.

Although American farmers are the world's most efficient and productive producers of agricultural products in the world, heavy farm subsidies in competing countries put U.S. producers at an unfair advantage in the world marketplace. Currently, our trading partners have no incentive to negotiate with the U.S., while foreign subsidies remain three to 10 times higher than our own domestic and export support programs. A World Trade Organization-triggered market loss payment would enable greater leverage in trade negotiations by instituting payments to American farmers, scheduled to increase annually, *unless* our trading partners eliminate their trade-distorting subsidies. This proposal would give U.S. trade negotiators greater leverage in trade negotiations and provide an incentive for other countries to negotiate trade agreements in a fair, good faith manner.

The above proposals would restore an economic safety net for smaller, independent farms and ranches, so they and the communities that depend on their solvency can withstand the current economic crisis and be resilient to economic stress in the future.